

Message Text

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47

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 AF-10 ARA-11 EA-11 NEA-10

RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12

PRS-01 OMB-01 OIC-04 RSR-01 /224 W
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FM USMISSION GENEVA

TO SECSTATE WASHDC 8777

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

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PASS STR

E. O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: ITALIAN LAW 639

REF: (A) STATE 66143 (NOTAL) (B) ROME 2545

1. ITALIAN LAW 639 NOT SPECIFICALLY MENTIONED IN GATT WG
MEETING ON SUBSIDIES AND COUNTERVAILING DUTIES, WHICH STILL
IN PROGRESS. HOWEVER, US REP (KELLY) HAS TABLED A LIST OF
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EXPORT SUBSIDY PRACTICES THAT INCLUDES " REMISSION OF TAXES NOT BORNE BY THE PRODUCTS" AND A SUPPLEMENTARY LIST OF SUCH " TAXES OCCULTES." SUPPLEMENTARY LIST CONTAINS MORTGAGE TAXES, STAMP TAXES, AND SIMILAR TAXES AGAINST THE REMISSION OF WHICH US HAS COUNTERVAILED.

2. EC AND MOST OTHER DELS RECOGNIZED THAT THESE LISTS DIRECTED PRIMARILY AT ITALIAN LAW 639. IN FACT, PROF. BERNINI, WHO PLAYED LARGE VOCAL ROLE IN MARCH 29 ART. XXIII:1 CONSULTATIONS IN ROME (REF B), WAS ACTIVE (BUT SILENT) MEMBER OF EC DELEGATION DURING THIS DISCUSSION. PRESENCE OF BERNINI AND ANOTHER PARTICIPANT IN ROME CONSULTATIONS MAY INDICATE INCREASED ATTENTION AND CONCERN ITALIAN GOVERNMENT THIS QUESTION.

3. US CONTENTED THAT REBATES OF TAXES OCCULTES ALREADY PROHIBITED UNDER AD ART XVI BUT THAT PROHIBITION MIGHT BE MADE MORE SPECIFIC. CANADA SUPPORTED US. EC REP (DUGIMONT) SAID THAT SUCH TAXES NOT NOW PROHIBITED BUT DID NOT ANSWER US QUESTION OF WHETHER MORTGAGE TAXES WERE " TAXES BORNE BY THE PRODUCTS."

4. WG CONSIDERATION COUNTERVAILING DUTIES BEGINS MORNING APRIL 12. US PLANS BRING UP THIRD- COUNTRY EXPORT SUBSIDIZATION AND INADEQUACY GATT ART VI TO DEAL WITH THIS PROBLEM. US REP WILL NOTE THAT A CURRENT ART XXIII ACTION (ITALIAN LAW 639) IS TEST CASE OF EFFECTIVENESS ART XXIII REMEDY IN SUCH CASES AND WILL PROPOSE SOLUTION ALONG LINES SECTION 301(A) (3)(C) OF PROPOSED TRADE REFORM ACT OF 1973.

5. WILL REPORT ON MEETING WHEN CONCLUDED. RIMESTAD

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*** Current Classification *** LIMITED OFFICIAL USE

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LUXEMBOURG

SECSTATE WASHDC
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